(21)

GOLD PAYMENTS ARE IMPOSSIBLE!

We must choose between National Money and Irredeemable Bank-notes.

SPEECH

OF

HON. WILLIAM D. KELLEY,

OF PENNSYLVANIA,

IN THE

HOUSE OF REPRESENTATIVES,

NOVEMBER 15, 1877.

WASHINGTON.

1877.

SPEECH

OF

HON. WILLIAM D. KELLEY.

The House having under consideration the bill (H. R. No. 805) to repeal the third section of the act entitled "An act for the resumption of specie payments"—

Mr. KELLEY said:

Mr. SPEAKER: I ask gentlemen to bear with me while I make what, in theological parlance, would be called a doctrinal discourse, and to presume that in the course of it I may answer questions which may occur to them as I proceed.

I do not say that I am unwilling to be interrupted; but I hope gentlemen will not interrupt me unless they may have some specific misstatement to correct or question pertinent to the point I may then have under consideration. My speech is unwritten, and such interruptions might, as I once heard a distinguished gentleman say when uttering an impromptu speech which had been carefully prepared and committed to memory, disturb the concatenation of ideas.

I propose, sir, to continue an argument which I first began on this floor on the 3d of January, 1867, nearly eleven years ago, when pointing out the inevitable results of an attempt to resume specie payments by contracting a volume of currency that was, in the main, legitimately and profitably employed. In doing so I drew, as you will perceive, a fair picture of the course of financial events during the intervening period and of the present condition of our country. I said:

> The experiment, if attempted as a means of hastening specie payments, will prove a failure, but not a harmless one. It will be fatal to the prospects of a majority of the business men of this generation, and strip the frugal laboring-people of the country of the small but hard-earned sums they have deposited in savings-banks or invested in Government securities. It will make money scarce and employment uncertain. Its object is to reduce the amount of that which, in every part of our country and for the hundreds of thousands of millions of dollars of domestic trade, is money, and to increase its purchasing power; and by thus unsettling values it will paralyze trade, suspend production, and deprive industry of employment. It will make the money of the rich man more valuable, and deprive the poor man of his entire capital, the value of his labor, by depriving him of employment. Its first effect will be to increase the rate of interest and diminish the rate of wages, and its final effect wide-spread bankruptcy and a more protracted suspension of specie payments.

In 1872 and 1873 the rates of interest were at the maximum and the market for labor and the rates of wages began to decline.

The course of administration and legislation from the time at which I spoke has been steadily in the direction against which I so earnestly protested, and I do not wonder that it has been so, for when the blind lead the blind both are liable to go into a ditch. I have before me a paper fresh from the pen of the man who inaugurated and has steadily championed the policy of resumption by contraction, who, having been the president of a large bank in Indiana, was, in deference to his large experience as a banker, brought to this city to act as Comptroller of the Currency, who was transferred from that position to the Secretaryship of the Treasury, and has since been known as the head of a great American banking-house in London, and who exhibits in this paper such ignorance of the very elements of the question at issue as relieves me from astonishment that the country, under his guidance, should have gone from prosperity to bankruptcy. The remarks to which I have invited the attention of the House were made in response to the announcement of Hugh McCulloch, as Secretary of the Treasury, that by the process of contraction we should have resumed specie payments before the maturity of the compound interest and 7.30 notes, or, in other words, in two years from the date of his manifesto. Let me, Mr. Speaker, invite the attention of gentlemen to this man's latest utterances, in order to show how by following the lead of such a teacher they have lost sight of the real questions at issue and are laboring in a fantastic way upon the surface of the main subject. The opening paragraph of this paper indicates an ignorance discreditable to the country whose Secretary of the Treasury and Comptroller of the Currency its author has been, or, sir, a mendacity which invokes all the opprobrious epithets which have been hurled by gentlemen at each other from the Clerk's desk and elsewhere across this House. Listen to it. I read from the North American Review for November and December, the leading paper of which is by Hugh McCulloch, and the first paragraph reads thus:

> All the great financial troubles which have occurred in the United States have been the result of the plethora of paper money, and the crisis has always been reached when its volume was the largest.

Sir, when had we paper money prior to the issue of the greenback? Never. And if the statements in that paragraph be not false, it must be true that the shadow of the coming greenback of 1862 produced a plethora in 1857, in 1842, in 1837, and way back to 1821, when the title to some of the best properties in Philadelphia passed on no other consideration than the ground rent, which was the price originally agreed to be paid for the unimproved ground. Is this man of such enlarged experience incapable of perceiving the broadest distinctions, or does he mendaciously seek to beguile his countrymen into indifference to the contrast which inheres between money—that which pays all debts, which is a legal-tender—and bank-notes—which are private debts, mere promises to pay money. He speaks of private or corporate credit as money. It cannot be that one who has presided over a bank, been the Comptroller of our Currency and Secretary of the Treasury, does not know the difference between money, which liquidates debt, and debt, which is to be liquidated in money.

And—

Adds he—

> the crisis has always been reached when its volume was the largest.

Now, let me make a truthful paragraph of this one. To be truthful it should read thus:

> All the great financial troubles which have occurred in the United States have been the result of a plethora of bank-notes, or promises to pay money; and the crisis has always been reached when the volume of such promises was largest and the money held by those who issued them with which to redeem them was least.

Let me now proceed to examine Mr. McCulloch's second paragraph. It reads thus:

Up to the passage of the legal-tender acts the protection against continued over-issues existed in the power of the States over their banking institutions and in the force of public sentiment.

Did the Ex-Secretary of the Treasury believe that the States had the constitutional right or had ever exercised the power "to coin money and regulate the value thereof," or to "make anything but gold and silver coin a tender in payment of debts;" and that they had delegated these high prerogatives to banks of their own creation? Or did he know that such unwarranted assertions were calculated to befog the judgment of his confiding followers on this vital question?

In most if not all of the States—

He continues—

banks forfeited their charters by suspension, and their suspension was tolerated for such a period only as was necessary to enable them to resume without too severe pressure upon their debtors and too great disturbance of their business.

What was the suspension of which Mr. McCulloch speaks? It was the suspension of the payment of money on demand in accordance with the promise expressed on their notes. When they had inflated not the money but the currency, until the community thus tempted into speculation was at their mercy, and they did in combination what, had any one of them done alone, would have been an act of bankruptcy—suspended the payment of money on their promises. Mr. McCulloch tells us that after due time the banks would resume. The truth is that after their notes had been issued without the restraint imposed by the fear of being called upon to redeem them and after this sufficient volume of irredeemable currency had quickened production and enabled the people to earn money enough for the purpose and bring it into the country, they would resume. What did they resume? Why they resumed the payment of money for their notes promising such payment at all times on demand.

But, as if to cap the climax of his absurdities, our logical and experienced financier adds:

The suspension of the banks put a check at once upon credit and an end to over-trading and speculation.

Mr. Speaker, it is impossible that he who had been president of a leading bank can have believed this assertion; because, and I appeal to the experience of every business man on this floor as to the correctness of my allegation, when the banks saw difficulties threatening to overwhelm them, they set about contracting their loans, called in payments from their debtors, refused discounts, and crippled business generally in the vain hope of saving themselves from the fate they had invited by the undue expansion of their circulation. Suspension relieved them from liability to be called upon to pay their notes and they issued irredeemable paper *ad libitum;* and, as I have already intimated, that paper, the irredeemable promises of private corporations though it was, was accepted as a medium of exchange, and gave life to enterprise, quickened industries, and enabled the people to earn the money by which the banks could ultimately resume the payment of money. Now, sir, I take leave of this branch of the subject with the remark that for ignorance and mendacity there are I apprehend in the English language no two successive paragraphs of like brevity from the pen of any man of national reputation which equal these from the pen of a late Secretary of the Treasury of the United States.

I have made these remarks not for the purpose of criticising Mr. McCulloch, but in order to reach a good stand-point from which to present the difficulties that lie in the path to resumption. The confusion of mind, if in his case it be confusion, that afflicts Mr. McCulloch, seems to have extended to many of the gentlemen on this floor. I desire to say that in the progress of this grave discussion I shall bandy no epithets. I have convictions upon the functions of money and those of credit which I have carried for more than forty years of manhood, which I have tested by the phenomena that have marked each of the rapidly recurring financial crises in my own country and of those which have occurred elsewhere when I could get the details of the current history, and in which I am more confirmed with each passing year. Yet I can understand that gentlemen may differ from me honestly and fairly without proving themselves to be gamblers, thieves, swindlers, or wanting in appreciation of and devotion to the honor of their country. And I shall continue to believe that each gentleman who speaks on this floor utters the convictions of an honest man and a patriot.

The question before the American people to-day is not between gold and the inconvertible paper of the Government, which by its legal-tender character is money. It is between paper money and bank credits, which, in the absence of a sufficient supply of metallic money with which to convert them, will continue to be irredeemable. I have conversed confidentially with many bankers, and have not found one of them, when speaking thus confidentially, who did not admit that though the Treasury may resume specie payments on the 1st of January, 1879, it cannot maintain them a week. The inadequate supply of bullion on which it may resume will, some of them have said, be exhausted on that day by the holders of certificates of deposit and banks which will have sent forward large amounts of notes for redemption, and the gold having thus been transferred to the banks and the Treasury having again suspended, the time will have arrived for a renewal of profits on sales of gold by those banks that may have happened to present their demands in time. What the effect of a new suspension by the Government would be on the price of gold, none can predict, as no one is able to predict the duration of the suspension.

Upon what demands do we propose to resume gold payments? Over $300,000,000 of greenbacks; over $300,000,000 of bank-notes. I have here (to continue the list) Mr. S. Dana Horton's work on Silver and Gold, in which I find some things from which to dissent and much to commend; but the facts embodied in which have been most carefully compiled. It gives on page 44 the debt statement for September, 1876, when the national debt was $2,203,902,645. The nominal amount of outstanding State securities is given as about $385,000,000, of city securities $543,000,000, of railroad and canal bonds about $2,170,000,000.

Gentlemen may say "Why, the passage of this act does not mature those obligations!" No, gentlemen, it does not; and I do not pretend to assume that the conversion of all, or even of a considerable percentage of them will be sought; but when you remember that all those securities are marketable in our market, it matures all of them that may be held by foreigners who can send them home, have them sold, and draw for the proceeds in gold. It puts our Government in the attitude of holding itself up as the reservoir of gold from which all its creditors and those of our people (and they are to be found in every civilized nation) may draw for gold when they need or desire it. The act does make payable in gold the deposits in our national, State, private, and savings banks, which amount to thousands of millions. It puts upon the gold-paying basis all book-accounts, promissory notes, and mortgage and judgment debts. It piles up such an amount of debt as no nation has ever undertaken to pay in money based on a single metal. And with what do you propose to pay it? Gold, I know. What gold have you? Why five resolutions, ingeniously contrived to extort information, brought us the fact that in July of the long session of the last Congress the Treasury had of real gold at its absolute disposal $13,000,000; for in the amount of gold named by the Treasury in monthly-debt statements we have bonds retired, but which have not been canceled; we have coupons paid, but which have not gone into the account of coupons paid. The major part of the gold reported as in the Treasury is paper gold, against which parties have claims, or paper which the Government has paid and not yet found time to carry into account and cancel.

Where are we to obtain an adequate amount of gold? Who has it to spare? By what means are we to get it? When London, or rather England, on a commercial transaction made with the syndicate, owed us $21,000,000, while Mr. George S. Boutwell was still Secretary of the Treasury, the bank and the business men of England became alarmed at the possibility of withdrawing so large an amount of bullion from that country; and Secretary Boutwell, having subsequently become a Senator from Massachusetts, stated the facts on the floor of the Senate, and showed that the Bank of England interfered and threatened destruction to American credit if a contract was not made to bring the paltry sum of $21,000,000, a little over £4,000,000 sterling, home in Government bonds bought in London. And Mr. Boutwell concluded his statement with the exclamation: "We were compelled to submit."

But, sir, the United States Government had a judgment awarded it by a tribunal more august than any which ever adjudicated the claim of a suitor. The high joint commission, representing the two most powerful nations of the earth, the sovereignty of England and that of the United States, after due deliberation at Geneva, found that we were entitled to $15,500,000 in gold. Such was the judgment of that august tribunal. What was the sequel? Did we, on settlement, bring $15,500,000 of metal to replenish our exhausted supply? O, no. I speak again upon the authority of him who was then Secretary of the Treasury, Mr. Boutwell. The government of England induced our own State Department to suggest to our Treasury Department that to bring home that award as the court had adjudged it to us, in gold, would produce a financial crisis, and that we should therefore, in the same spirit of amity which had submitted to arbitration the great issues between us, accept payment in our own bonds. And again we were compelled to submit.

But later still, sir, within three months the government of British India advertised in London for a loan of £3,000,000 sterling, $15,000,000; and the Economist and the Times and all the leading journals of England announced that the proposed loan was producing perturbation in business circles, because if the proceeds were to be sent to India in money it might produce a financial crisis. Why produce a financial crisis? If sent in the money of India, it would be silver, which is not money in England. Yes, that fact was recognized; but it was also remembered that Germany needed gold; and if that loan was to be sent to India in money Germany, it was said, would supply the silver and take in exchange therefor England's gold money to the amount of £3,000,000 sterling.

Yet gentlemen talk on this floor and elsewhere as flippantly about selling $200,000,000 of 4 per cent. bonds for gold and bringing the proceeds home as though gold were one of the products of the shops of Birmingham or Sheffield which British manufacturers would be glad to sell. The amount of gold necessary to enable us to maintain specie payments is not in the possession, with power to dispose thereof to a foreign nation, of any government or people on the face of the globe; and such amounts as can be spared by any of them will not be permitted to come to a debtor nation whose bonds may be sent home in settlement of international balances.

I have here (for gentlemen may doubt my judgment on the last point) the great financial authority of England, the Economist, of October 28, 1877. The editor discusses the balance of trade between this country and England; and I am sorry my venerable friend from New York, [Mr. TOWNSEND,] who yesterday talked so luminously about the balance of trade and how it was to bring us money, is not here to learn the opinion of so widely acknowledged an authority.

And so we find—

Says the writer—

that while the balance of trade is turning less favorable to the States, the bullion movements are moving strongly in their favor. The theory is thus seen to be erroneous; and it errs because it overlooks two important items which, though they do not appear in the trade accounts, materially affect the balance. In the first place, there are other than trade debts which a country like America has to settle. She has to export either goods or specie as interest upon the money which she has borrowed abroad and for services rendered to her by foreigners, and as the amount of this tribute is not known, it is impossible to say from the trade returns alone on which side the balance really lies. And, in the second place, even if the balance should in the end be favorable, it may be liquidated without the movement of bullion. Stock-exchange securities have now become a kind of international money, and to a large and increasing extent these are supplementing gold or silver as a medium for settling international debts. These points are worth remembering now when the possibility of gold shipments to America in payment of our imports of grain is attracting so much attention.

Why, of course gentlemen, England will allow the gold to come over here for $200,000,000 of 4 per cent. bonds. She will not send over for conversion any of our overdue bonds. She will hold them and allow you to produce a financial convulsion by withdrawing all the bullion the Bank of England now holds, which is less than $115,000,000. No! You can resort to the exclusive use of irredeemable bank-notes on the 1st of January, 1879, but you cannot resume gold payments.

An engineer, Mr. Speaker, who, having been employed to remove a great structure, should begin by digging away the foundation would soon find himself restrained by injunction sued out by his neighbors, or being where a court was not accessible physical force would restrain him from bringing the superstructure upon the heads of his neighbors. Yet what do you propose to do with that great and complicated structure, the currency, production, and trade of the United States? The currency with which exchanges are effected now consists of three hundred and odd millions of bank-notes which are not legal-tenders, and which are redeemable in $315,000,000 of greenbacks, which are legal-tenders and are, therefore, money; money which must be received by State, county, municipal governments in payment of taxes and other claims, which must be received by the National Government for every obligation save one—duty on imports; which must be received by every citizen from the Government in payment of all debts save one—interest on a coin-bearing bond. Your bank-notes in the absence of gold, the sufficient accumulation of which is impossible, are convertible into this money, with which mortgages, judgments, and every debt may be liquidated, and you propose to remove the money which is the foundation and to leave the superstructure stand. You propose to maintain a law which decrees that from and after the 1st of January, 1879, with a diminishing reserve and an increasing volume of notes redeemable by that reserve, to make every debtor in the country liable to his private creditor, and the nation in its public character liable to all its foreign and domestic creditors in gold. The banks, if greenbacks continue to be retired before an increasing bank circulation, may, by that date, be unable to redeem even in greenbacks.

Mr. Speaker, I tell gentlemen they are attempting an impossibility. The laws of trade cannot be controlled by the wisest and most potential government. As well attempt to regulate the laws of gravitation or refraction as to legislate the flow of gold from creditor to debtor nations in an era like the present. The banks understand all this. They know that there can be no resumption of specie payments, and they hope to obtain control of the entire circulation of the country. They are here in their might and power to control our legislation. They invaded different committee rooms yesterday. They went, so the newspapers tell me, to the Executive Chamber with three Cabinet ministers as captives in their train. I hope it is not true; I do not believe it; I am unwilling to believe it; I will not believe it till it is proven, that forty or fifty men who hold the money-bags of our eastern cities may come here and three Cabinet ministers abandon their posts of duty and escort them with servility to the Executive Chamber, while deaf to the cries of widows, of orphans, of men, women, and children pleading for the poor privilege of selling their labor. I will not believe the slanderous story.

The banks are not preparing for resumption as they would if they believed the law was to be carried into effect. To prepare for resumption would be to accumulate specie and contract their liabilities. We have their statements and we know they are not accumulating specie. We have the Treasury statement and we know that they are now increasing their circulation, and that for every hundred dollars' increase of that circulation, of the superstructure, $80 is taken from the foundation, from the money in which these notes are to be redeemed. Sir, the national banks have failed once without being called upon to pay specie. In September, 1873, they could not pay their notes in greenbacks; they would not pay depositors in their own notes because those notes called for greenbacks, of which they lacked a supply. Having suspended payment of their notes, they gave their depositors certificates that they had money on deposit with them, and these certificates were hawked and sold at various rates of discount. And I tell gentleman that when the 1st of January, 1879, comes, if the superstructure continues to expand and the foundation to contract, instead of resumption we will have the suspension by those banks of payment in greenbacks from one end of the country to the other. There are natural laws which regulate the relative volume of redeemable paper to that of the money with which it may be redeemed, and of which we learn something from what occurred in 1857 and in nine periods in the interval between 1816 and 1857. This may all be very disloyal to the honor of my country; but, sir, I claim to have as clear a sense of that honor as any man, though he own a whole bank.

Now, sir, how did the Bank of England prepare for resumption? She had four years given to prepare, as we have had. The resolutions under which she resumed provided that she should sell gold in certain quantities during certain months of 1820 at a given rate, above

£4; that she should sell it during the next year at a given rate, above £3; and that on the 1st of May, 1823, she should resume cash payments, and she and the local banks went to work to prepare for that event, and what was the effect? Sir Archibald Alison says:

The effect of this extraordinary legislation was soon apparent. The industry of the nation was speedily congealed as the flowing stream is by the severity of an Arctic winter.

Authentic statements of the effects of their preparation have been carefully collated by Mr. J. W. Shuckers in this small volume, entitled Finance, Panics, and Specie Payments, and I quote part of a chapter from it, having compared every extract with the authorities cited, so that I can vouch for the accuracy of the quotations:

"The French revolutionary and Napoleonic wars were ended in 1815, and from thenceforward to the year 1819 the 'currency question' was the overshadowing topic of English discussion, until at length, in February of the latter year, both houses of Parliament appointed committees to inquire into the state of the bank, and in April subsequent both committees reported, recommending an early resumption of cash payments. Upon the reports of these committees Parliament took prompt action, and in May 'Peel's bill'—so called because the resolutions for resumption were introduced into the Commons by Mr. Peel, afterward the second Sir Robert Peel—was enacted into a law. Its provisions were these:

"1. The acts then in force legalizing the bank suspension were to be continued to the 1st of May, 1823, when their operation was finally to cease.

"2. That on and after the 1st of February and before the 1st of October, 1820, the Bank of England should be bound, on any person presenting an amount of their notes not less than of the value or price of sixty ounces, to pay them on demand at the rate of £4 1*s.* per ounce in standard gold bullion stamped and assayed at the mint.

"3. That between the 1st of October, 1820, and the 1st of May, 1821, it should pay in a similar manner in gold bullion at the rate of £3 19*s.* 6*d.* per ounce.

"4. That between the 1st of May, 1821, and the 1st of May, 1823, the rate of the gold bullion should be £3 17*s.* 10½*d.* per ounce.

"5. During the period first above mentioned it might pay in gold bullion at any rate less than £4 1*s.* and not less than £3 19*s.* 6*d.* per ounce; in the second period at any rate less than £3 19*s.* 6*d.* and not less than £3 17*s.* 10½*d.* upon giving three days' notice in the Gazette and specifying the rate; but after giving this notice the bank was not again to raise the rate.

"6. These payments were to be made in bars or ingots of the weight of sixty ounces each, and the bank might pay any fractional sum less than forty shillings above that in the legal silver coin.

"7. The trade in gold bullion and coin was declared entirely free and unrestrained."

But it must not be supposed that there was no opposition to the policy of this enactment, for there was, and of a very powerful kind, too. The bank directors protested against it, and submitted to the legislature their views of what the effects of the act must be in the existing commercial and monetary state of the country. They said they could not help thinking the measure one fraught with great risk and uncertainty; and that "they could not venture to advise an unrelenting continuance of pecuniary pressure upon the commercial world the consequences of which it was impossible for them to foresee or estimate;" nor could they take the responsibility of countenancing a measure in which, they said, "the whole community was so deeply involved, and which would possibly *compromise the universal interests of the empire in all the relations of agriculture, manufactures, commerce, and revenue.*" The merchants and bankers of London and Bristol joined in a petition against it, which was presented to the Commons by Sir Robert Peel, who entreated the House to pause before the passage of a measure so destructive of commercial interests and with them of every other interest in the country, and to collect all possible information upon the subject. The petitioners said that in their opinion the measure would result in *a forced, precipitate, and highly injurious contraction of the currency, which would add greatly to increase the pressure of the taxes, to lower the value of all land and commercial property, seriously to affect and embarrass both public and private credit, to embarrass and reduce all the operations of agriculture, manufactures, and commerce, and to throw out of employment a great proportion of the industrious and laboring classes of the community.*

On the other hand, the friends of the measure, and conspicuously Mr. Peel and Mr. Ricardo, (the latter the distinguished political economist,) denied that the resumption would be attended by evil consequences, and Mr. Ricardo declared that the "whole difficulty would be in raising the value of the currency 3 per cent."

WHAT SIR ARCHIBALD ALISON SAYS.

"The effects of this extraordinary piece of legislation were soon apparent. The industry of the nation was speedily congealed, as a flowing stream is by the severity of an arctic winter. The alarm became as universal and wide-spread as confidence and activity had recently been. The country bankers, who had advanced largely on the stocks of goods imported, refused to continue their support to their customers, and they were forced to bring their stocks into the market. Prices, in consequence, fell rapidly; that of cotton, in particular, sank in three months to half its former level. The country bankers' circulation was contracted by no less than five millions sterling, ($25.000,000.) and the entire circulation of England fell from $232,545,000, in 1818, to $174,385,000, in 1820, and in the succeeding year it sank as low as $142,757,000. * * *

"The effects of this sudden and prodigious contraction of the currency were soon apparent, and they rendered the next three years a period of ceaseless distress and suffering in the British Islands. The accommodation granted by bankers diminished so much, in consequence of the obligation laid upon them to pay in specie which was not to be got, that the paper under discount at the Bank of England, which in 1810 had been $115,000,000 and in 1815 not less than $103,300,000, sank in 1820 to $23,360,000 and in 1821 to $13,610,000! The effect upon prices was not less immediate or appalling. They declined in general, within six months, to half their former amount, and remained at that low level for the next three years. Distress was universal in the latter months of 1819, and that distrust and discouragement were felt in all branches of industry which are at once the forerunner and the cause of disaster."

WHAT THE BANK AND THE BROKERS DID.

The Bank of England and the country banks, in order to resume and sustain a condition of specie payments, at once began a course of vigorous and necessary contraction, reduced their issues in a period of five years by nearly one-half of their whole amount, as the subjoined table from Tooke's History of Prices, cited by sir A. Alison, will show:

Year.	Bank of England.	Country bankers.	Total.
1818	$130, 010, 535	$101, 535, 000	$232, 545, 750
1819	126, 263, 450	78, 506, 610	204, 770, 090
1820	121, 496, 700	52, 881, 225	174, 377, 925
1821	101, 476, 500	41, 280, 900	142, 757, 400
1822	87, 323, 950	42, 408, 100	129, 732, 050

The Bank of England reduced its private securities from $32,000,000 in 1819 to something more than twelve millions in 1821, and this was the average reduction in discounts made by the London discount-houses and the country bankers, and shows how extensively and calamitously the commerce and industries of the country were overwhelmed by the operation of the contraction.

THE FALL IN WAGES.

"In all the great stations of the cotton manufacture, as Manchester, Glasgow, Paisley, *the rate of wages has fallen on an average more than one-half.*"—*Lord Lansdowne's speech, December* 1, 1819.

"It is not surprising that the ministers alluded to the suffering which pervaded several branches of manufacturing industry, for, from the papers laid before Parliament, *it appeared that wages in the cotton manufacture had sunk a half within eight months, and in most other trades* in the same proportion."—*Sir Archibald Alison's History of Europe*, second series, chapter 10.

WHAT MR. BARING SAID.

"In looking at this question"—that is, the facts growing out of the contraction of the currency—"it is material to show what is the state of the country in this the sixth year of the peace. Petitions are coming in from all quarters remonstrating against the state of suffering in which so many classes are involved, *and none more than the agricultural class.*

"When such is the state of the country in the sixth year of peace, and when all the idle stories about overproduction and underconsumption, *and such like trash*, have been swept away, it is natural to inquire into the state of a country placed in a situation without a parallel in any other nation or time. No country ever before presented the continuance of so extraordinary a spectacle as that of living under a progressive increase in the value of money and decrease in the value of the productions of the people. It appears clear that *from the operations of the currency we have loaded ourselves not only with an immense public debt, but also with an increased debt between individual and individual*, the weight of which continues to press upon the country, and to the continuance of which pressure no end can be seen."

WHAT MR. DOUBLEDAY SAYS:

"We have already seen the fall in prices produced by the immense narrowing of the paper circulation. The distress, ruin, and bankruptcy which now took place were universal, affecting the great interests both of land and trade; but especially among landlords, whose estates were burdened by mortgages, settlements, legacies, and the like, the effects were most marked and out of the ordinary course. In hundreds of cases, from the tremendous reduction in the price of land which now took place, the estates barely sold for as much as would pay off the mortgages, and the owners were stripped of all and made beggars."

THE EFFECT UPON PRICES.

The distress was so great and universal that in 1822 a motion was made in the House of Commons for a committtee to consider the effect of the "act for resumption on the agriculture, commerce, and manufactures of the kingdom." In the course of the debate upon that motion, Mr. Attwood, (the member for Borough-Bridge,) the same unbelieving gentleman who had been induced to withdraw from the house in 1819 that the vote for resumption might be unanimous, made a speech, in the course of which he said: "In the year 1818 the average price of wheat was 84*s.* per quarter; and if the present price be taken at 47*s.*, that is a reduction on wheat of 37*s.* which is equal to a fall of £45 in every £100, or 45 per cent. The price of iron in the year 1818 appears to have been £13.; that price is now £8 per ton, and is equal to a reduction of about 40 per cent. The price of cotton in 1818 was 1*s.*, and it has sunk to 6*d.* per pound, which is a fall of 50 per cent. on cotton. Wool in the year 1818 sold for 2*s.* 1*d.* which now sells for 1*s.* 1*d.*, and there is, therefore, in wool a fall of nearly 50 per cent. The fall that has taken place, therefore, since 1818 in iron, in cotton, and in wool is as great as the fall in wheat. These are the great staples of commerce, and the average of the fall upon all three is 45 per cent., being exactly the reduction in grain. This is recommended to the consideration of those who tell us of overproduction and an excessive cultivation of corn land. But I refer also to a table compiled by Mr. Tooke, which contains a list of the principal articles of commerce and manufactures, *thirty in number*, which exhibits the *same fall of* 45 *per cent. in all the articles* except indigo, the price of which has been sustained, as I am informed, by circumstances of an unexceptional kind. The fall, therefore, is not peculiar to the products of agriculture, but is universal and has embraced every article of industry and every article of commerce.

"This fall of prices must have been produced by one of two causes, either the quantity of all commodities has increased, or the quantity of all money has diminished. One of these must of necessity have occurred, for the proportion is altered. Are we to believe that great changes have suddenly taken place in the productive powers of nature or the resources of art, so as to account for this sudden and universal fall in prices? *Is it likely that production in all the branches of industry, agricultural and manufacturing, would go on for three years constantly increasing in the presence of a constantly diminishing price?* Evidently, it is not so.

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"In the midst of this fall of prices, what operation in business could proceed without loss or ruin? There has been no form in which the capital of the merchant, none in which the capital of the manufacturer, could be invested without the half of it being sacrificed during this calamitous period. We have been thrown back upon a condition of society in which all industry and enterprise have been rendered pernicious or ruinous; and where no property is safe unless hoarded in the shape of money or lent to others on a double security."

Mr. Speaker, the Bank of England's loans shrunk from £130,000,000 to £87,000,000, the country bankers' from £101,000,000 to £42,000,000, making a total withdrawal of discount of £232,000,000. The bank also reduced its private securities from £32,000,000 in 1819, the year of the passage of the act, to something more than £12,000,000 in 1821. Wages fell; the value of land fell; all values, save those of money and of government securities, fell, and, of course, as other values fell, those of money and government securities appreciated; and then, as had been foreseen by Sir Robert Peel, who opposed the act which had been introduced by his son, Mr. Robert Peel, the plutocracy, which now owns England and most of her people, was organized. Rich men's money was so enhanced in value or purchasing power and the property of men of enterprise, and the only property of the laborers, skill and the will to labor was so depreciated—that the landed property of England has passed from the hands of one hundred and sixty-five thousand holders into the hands of about thirty thousand.

Are the same results occurring in this country or likely to occur? Yes, sir; they are consequences as inevitable as the rising of the sun in the morning or its going down in the evening. There is an inflexible law regulating the relation between prices and the volume of money in circulation. It may have been unwise to use that "great enemy of the nation, the greenback," and thus increase the volume of money and enhance prices; but I remind gentlemen, who say that the greenback is an enemy to the country, that they decry their country's savior.

When I had the pleasure of addressing a few audiences in the State of Georgia, where I was kindly received, especially at Macon, I spoke on the question of money and said to the confederate officers and soldiers around me, "Your leaders were mistaken in their financial theories when they told you that a handkerchief would wipe up all the blood that would be shed; they were strict constructionists of the Constitution; they believed that the United States could use nothing but gold and silver as money, and that as they had none of these metals they could not put armies in the field to overwhelm you or fleets upon the ocean to blockade your coasts; they had not studied the Constitution to see that the Government has control of the question of what shall be money. We discovered that it had, and when we could not get gold or silver we made the greenback, and it was that that whipped you."

"Yes," said one of them, enthusiastically, "Judge KELLEY, you are right; it was the greenback that whipped us." And that which saved us from being citizens of warring sections; that which has brought us together again to wrangle, as of old, over minor questions; that which removed slavery and opened the way to conciliation and the interchanges of duty and affection between the entire people must not be branded as "the worst enemy the country ever had except slavery" without at least a passing protest from me as one who loves the Union, the whole Union, and believes it now to be indivisible, indestructible, and destined to endure through all time. It was the "rag baby" that saved this Union; that enabled you, Mr. Speaker, [Mr. RICE, of Ohio, in the chair,] to go forth at the head of your column to lay one of your limbs upon a distant field. Gold, the coward, had fled the country. The "rag baby" stepped forward and gave you and your men arms, ammunition, food, medical care, and transportation. It watched over you in the hospital and brought back the manly spirit in the mutilated patriot's form.

Now, sir, when peace has returned that which served us so well in war is not deserving of the contempt that is being heaped upon it while the people by millions cry from their cold hearthsides, from their hungry homes, for the privilege of toiling and ask us to maintain a familiar medium of exchange whereby capital and enterprise may pay labor for its work. Why shall we not heed their prayer? The nation's credit will not suffer. That which gave us a credit of twenty-seven hundred millions of dollars is certainly enough to sustain the two thousand millions we yet owe. You had no gold or silver when your bonds were first bought by foreigners; they knew that they took the bonds payable in lawful money, the interest only being payable in coin of gold or silver; and who will say that when they did this while we had a war upon our hands, with the destiny of the nation uncertain, knowing that the Government only pledged the payment of its bonds in lawful money with the interest in coin, will they not trust us now, if we will only put all our machinery at work?

The argument, to say the least, is illogical. It is to assume a want of confidence on the part of the people of money lending nations in the integrity of the American people, which is inconsistent with the facts to which I have alluded, and the large amount they then lent us and were willing to lend us.

Land, as Mr. Shuckers has shown us, sold in England for nominal prices during the approach to resumption. I hold in my hand the Philadelphia Times of November 5, a conservative paper, which dissents in the main from my views, but which does believe that a Government bond interconvertible at all times with money would be a safer depository for the people's earnings than savings-banks have shown themselves to be within the last four years, and would therefore allow the Government to receive the people's earnings on deposit in exchange for such bonds. It says:

A great sheriff's sale, the largest ever held in the county, to take place to-day—

Yes, sir, and, thank God, the largest that ever took place in Pennsylvania—

To-day, at four o'clock, in the new quarter-sessions court-house, Sheriff Wright will sell under the hammer the largest number of properties of unfortunate debtors ever exposed at one sale in this county. There are four hundred and thirty-nine writs on the list, embracing in all over fifteen hundred different properties. About seventy-five of these are sales to be made on foreclosed mortgages of building associations for money advanced mostly on the small homes of the laboring classes.

I have heard gentlemen say: "They who have rashly speculated ought to be wiped out and the currency ought to be made more valuable." Sir, the owners of these seventy-five homes have not been rash speculators. They characterize my native city which I have had the honor so long to represent here. They are working-people; they train their children mainly to mechanical pursuits. They had, with their sons and daughters, learned how much they could earn a month and how much, after living comfortably, they could set apart as savings. These savings they put into stock in building associations. And I say here, as I have often said elsewhere, that the building association is, in normal times, the best savings-institution I have ever known and one calculated to make the best citizens of poor people. These working-people have gone on paying until all the family lost employment or all but one or two whose earnings were necessary to support the household. Unable to pay their monthly installments, their homes, often paid for within two hundred or three hundred dollars, sometimes within $100, are being disposed of to the "wrecker," to quote from the gentleman from Georgia who spoke yesterday, [Mr. FELTON;] the wrecker who stands by and sees the ship stranded and her crew struggling in the surging waters, in the hope that the cargo may be picked up and purchased by him for a nominal price.

Philadelphia does not suffer alone. Turn to the city of Boston and State of Massachusetts. How are values shrinking there? The assessed value of the real estate of the thrifty city of Boston shrank $54,000,000 in the last year and the assessed value of the personal property of her citizens to a greater extent. The assessed value of real and personal property in Massachusetts, conservative Massachusetts,

Massachusetts, that owns here and there a mortgage on a western farm that is paying 8 or 10 per cent. interest, the assessed value of personal and real estate in Massachusetts shrank last year more than $101,000,000.

But, gentlemen, the worst has not yet come if this act is to be maintained. And I tell you—and you may book it to jeer and scoff at me fifteen months hence, if it prove not to be a true prediction—the suffering we have endured during the three years this law has been in existence is like the chill which embellishes while it blasts with feathered frost the leaves and flowers of the tropical plants that surround the homes of our extreme Southern States, compared with the Arctic cold that builds up the mountainous iceberg which chills the summer atmosphere of our coast as it passes near our shores.

They got along reasonably well in England for three years. It was in the fourth year when the banks must resume, must contract loans, must have gold with which to redeem their notes, that there came the pressure, and properties, three, four, six of them, were sold to pay the small mortgage or judgment balance existing against the last acquired estate. Petitioners poured into Parliament praying it to give them equitable relief; but it had no power to relieve. But I hear a banker say that is not to be so now and here. Sir, have we not felt the pressure for money in other years than 1873, when the demand for greenbacks broke the banks?

[Here the hammer fell.]

The SPEAKER *pro tempore.* The time of the gentleman has expired.

Mr. KELLEY. I hope the House will allow me a few moments more.

Mr. TURNER. Let the gentleman have an hour.

The SPEAKER *pro tempore.* The time of the gentleman will be extended if there is no objection.

There was no objection.

Mr. KELLEY. I thank gentlemen for this courtesy and would be glad to go on for an hour, but an unlucky accident that came near ruining my spine makes it painful for me to stand and speak.

The greenback, which then proved so great a restraint upon the cupidity of bankers, is to be retired. I know that Secretary Sherman says that in his opinion three hundred millions of greenbacks need not be retired but can be re-issued after their receipt by the Treasury. I have high respect for Secretary Sherman and his opinions; but I am unwilling to put the value of every piece of land in the country and of every day's labor at risk on his opinion. I remember that he has changed his opinions. I remember that he portrayed, more eloquently than I have ever been able to do, the wrong, the outrage, Congress would perpetrate if it attempted to force the resumption of specie payments; that he said it would add 25 per cent. to every debt, mortgage, or otherwise. He saw clearly how dishonest the purpose was. Yet ultimately—honestly enough but having meanwhile had new light—he changed his opinion and thought it would be a capital thing to force resumption. He still holds to that opinion and says that it can be done on the appointed day. Although every other writer in the North American Review differs from him on this point, he says it can be done and should be.

Again in 1868 he saw the importance, the justice, the right, the duty, of making our bonds interconvertible with greenbacks and greenbacks interconvertible with bonds. As chairman of the Finance Committee of the Senate, he argued elaborately (and took time to revise his argument) in favor of the convertible and interconvertible bond system so ingeniously stigmatized by my friend from Rhode Island, [Mr. BALLOU.] Secretary Sherman, speaking for himself and the Finance Committee of the Senate, then said:

> Now that the war is over, that the whole process of funding is intended to be voluntary at the discretion of the noteholder, we ought promptly to restore this right to allow the note to be converted at any time into some kind of bond; and we propose, also, to allow the bond to be converted into notes, keeping within the limits of notes fixed by law. Then there is no discrimination; the bondholder and the noteholder are both public creditors—both depend upon the public faith. The noteholder may go to the Treasury of the United States and demand his bond; the bondholder may go also and demand his note. They are put on a basis of equality. This destroys all speculation in Government securities. Both will then stand on the same footing, and both will be of equal value. The noteholder may, at his option, draw interest in gold by converting it into bonds; and the popular cry of demagogues, that we have provided gold for the bondholder and notes for the people, will be silent.

He now, however, characterizes the opinions he then entertained as a mild form of lunacy. I am afraid that if we trust to his opinion, when we shall have permitted the 1st of January, 1879, to come around and find our tails in the trap, he may undergo another marvelous conversion and think that the $300,000,000 of greenbacks must be retired and cannot be re-issued.

I prefer to let the rights of the American people stand on statutes and not on the opinion of any Secretary of the Treasury or other officer. To that end let us wipe out this ruinous statute. Let men know that they may invest capital with some hope of profit. This act stands there, and has stood from the day of its passage, a menace to confidence, the steady destroyer of credit. Its adoption was notice to all capitalists that the volume of money was to be contracted, that the banks ought steadily to hoard specie for resumption, and that rather than do that they would probably surrender their circulation; that in either event prices must fall, and therefore the best use for money was to bury it either in their cellars or in the vaults of a bank.

Is it any wonder that the venerable gentleman from New York [Mr. TOWNSEND] could say yesterday that there never had been so much money to lend? There is no safe use for money when prudent men see that that which they produce must be sold on a falling market for less than cost. But let me ask upon what can you borrow the money which is so abundant? On gold—the thing that is steadily appreciating at the cost of all industry and all enterprise—on gold or gold-bearing bonds. Can you borrow on Pennsylvania or Reading Railroad stock? Can you borrow on Delaware and Lackawanna or New Jersey Central or any other railroad stock? Can you borrow on farms, factories, forges, or furnaces? No. Why? Because under this act their value must continue to shrink, and the market for them at any price continue to decline.

I have heard from credible authority that there are moneyed institutions in New York which are not only foregoing interest due on mortgages, but paying the taxes on the mortgaged property rather than take it in at its depreciated value. I know of instances of that kind in Philadelphia. I know mortgagors who are begging the mortgagee to take the mortgaged property with what has been paid on it in installments and leave them free from the resulting judgment, which would blast the hopes of their future lives. Repeal the act which is producing these terrible results. Permit confidence to revive. Allow the millions of working men and women who are living in despair to go to work upon our raw materials, and supply each others' wants, while the merchant, who makes the exchanges between them, shall levy toll for profit as he did before this madness seized upon us. Imitate the example of France. No nation, no individual ever freed itself from debt by idleness. Set the miners of Pennsylvania and the other coal producing States to work in producing power. Let the coal they mine quicken machinery so that one man or woman may produce what one hundred or seven hundred or a thousand used to produce in the olden days. Let them, with the wages they thus earn, pay their debts and replenish the Treasury by consuming dutiable and taxable commodities.

The internal revenue falls off. Is that the way to provide means for paying the public debt? In the normal condition of the country the internal revenues increase at the rate of 5 per cent. per annum. They were more than $118,000,000 last year; consequently there should have been this year an increase of $6,000,000. How does the account stand? Four months and a half are gone, and the internal revenues thus far in the present year, instead of being nearly $3,000,000 in excess of those for the same part of last year's, are three-quarters of a million dollars in deficiency. Why? Because labor is idle; consumption has been contracted by the poverty of the people; capital finds no use except in advances upon gold or gold-bearing bonds, where some exceptional individual thinks he sees the hope of making profit or in buying property at sheriff's sale.

Whether the resumption of specie payment would be a good thing or not, I do not stop to discuss, and I express no opinion here upon the subject. When my opinion on that question shall be pertinent, I will give it. But assuming that specie payment is the most desirable thing in the world, other questions arise. How shall resumption be effected? When shall it be effected? We have gone at it bull-headed and determined to do it whether we can or not, and have thus effectually disabled ourselves, deprived ourselves of power, impoverished our people, diminished the revenues of the Government, and put ourselves in a position that, though the country deserved the glowing eulogy bestowed upon it by my friend from Iowa, [Mr. Price,] although the crops have been unprecedented as described by the gentleman from New York [Mr. Townsend] yesterday, although the year, thanks to beneficent Providence, has been not only blessed in its crops but in its seasons and has scarcely brought a wintry day in this region, yet millions of our people in the midst of the abounding crops are homeless and hungry. With the largest crop of cotton ever produced, they are naked or in rags. Proud three years ago of their homes, in my city, of which I have often boasted, they now—crouching as too many of them are, two or more families in a little house—thank God that December approaches and out-door relief can be administered to American citizens by the guardians of the poor, and that they may therefore live through the winter without registering themselves, their wives, and children as paupers by becoming inmates of an almshouse.

Had France attempted the terrible experiment we have tried, revolution after revolution would have followed in quick succession, until the example set by her great statesmen of the past had been accepted and followed and until the bank had issued notes enough to enable employers to pay wages. The Government of France dare not bring her laboring-people to the condition the American Congress has brought ours. Read the story of French recuperation after the continental revolutions of 1848, and again of the manner in which she paid the most unconscionable war fine ever imposed upon a nation, and which, but for the wise management of her industry and finance, would have bankrupted her irretrievably.

Here are examples worthy of the study of American statesmen. They are living illustrations of potent economic laws, and not books written by *petits-maitres* who fill professorial chairs in colleges, and who, having read Adam Smith, Ricardo, or Malthus, begin at once, like an apothecary, to compound specifics for sick nations, by putting a little in from each bottle and giving the mixture the name of a science. Take the life-story of nations. Study the details of the history of like eras. Grasp the subject. Remember that Mr. McCulloch, whose lead you are following, has proven that he does not know that a promise to pay made by a private corporation or by any power other than by a government which has the right and power to declare that such promise shall be legal tender is not money.

Money may be of one kind or another, but a nation must have money; that which will liquidate private credit, that which the creditor must receive in full payment from the debtor.

But, to conclude, the national banks are making no preparation for resumption. I may be pointed to some small measure of contraction that took place months ago. I may be told that the lines of discount of the New York banks are some fifteen millions less than they were a year ago and that deposits are ten or fifteen millions less. But we are to deal with more than five thousand millions of dollars of debt. We are to provide a reservoir of gold from which every old woman in the country who has the ante-war stocking which used to hold eagles can fill her stocking again. We are to provide a fund from which every hoarder, from the Atlantic to the Pacific and from the northern lakes to the Gulf, may draw gold for hoarding. We are, as I said before, to say to every European creditor We take the risk of your markets, we take the risk of all your possible necessities for gold; we will resume specie payments and maintain them against the world, because we have accumulated in this season of commercial inactivity about fifty millions of gold with which to maintain them. Let us not assume a position from which we will be driven ignominiously by the force of events in the gaze of deriding nations.

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